

Message Text

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50-40

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INFO AMEMBASSY TEHRAN

C O N F I D E N T I A L JERUSALEM 1813

FOR SECRETARY SIMON FROM ASSISTANT SECRETARY PARSKY

PASS TREASURY

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: ASSISTANT SECRETARY PARSKY VISIT TO IRAN

NOV. 24 AND 25

1. SUMMARY - PARSKY HELD DISCUSSION ABOUT PROPOSED U.S. -IRAN FINANCIAL CONFERENCE, ENERGY AND INVESTMENT QUESTIONS, DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, AND MONETARY UNDERSTANDING BETWEEN FRANCE AND U.S. PARSKY MET WITH INTERIOR MINISTER AMOUZEGAS, CENTRAL BANK GOVERNOR MEHRAN, DEPUTY ECONOMICS AND FINANCE MINISTER SHORAKA AND MR. BEBEBANIAN, SPECIAL ADVISOR TO THE SHAH. PARSKY ALSO MET WITH JOHN LOGAN, HEAD OF U.S. SECTION OF JOINT U.S-IRANIAN BUSINESS COUNCIL.

2. FINANCIAL CONFERENCE. AFTER DISCUSSIONS WITH GOVERNOR MEHRAN AND DEPUTY MINISTER SHORAKA, SEVERAL QUESTION STILL MUST BE ANSWERED BY IRANIANS:

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A. DATE - IRANIANS DO NOT WANT TO HOLD CONFERENCE IN MARCH

BUT SUGGEST END OF MAY-JUNE TIME. PARSKY AGREED TO THIS AFTER CONFERRING WITH MR. LOGAN, WHO WILL CHECK AVAILABLE DATES WITH DAVID ROCKEFELLER ON RETURN. THERE IS STILL A QUESTION, HOWEVER, ABOUT WHETHER BUSINESS COUNCIL MEETING WILL TAKE PLACE AT SAME TIME. MEHRAN WANTED BUSINESS COUNCIL MEETING IN MARCH TO BE SEPARATE FROM CONFERENCE. SHORAKA, HOWEVER, WANTED THEM TOGETHER. SERATOR SAIL, IRANIAN HEAD OF COUNCIL ALSO WANTED BUSINESS COUNCIL MEETING LATER THAN MARCH. QUESTION WILL BE DISCUSSED WITH MINISTER AMSARY ON RETURN TO IRAN AND BOTH SHORAKA AND MEHRAN SAID THEY WOULD COMMUNICATE TO PARSKY.

B. COMPOSITION - CONSIDERABLE DISCUSSION TOOK PLACE ABOUT WHO SHOULD BE CHAIRMAN OF CONFERENCE. LOGAN EXPRESSED TO PARSKY STRONG DESIRE TO HAVE DAVID ROCKEFELLER CHAIR MEETING WITH GOVERNMENT OFFICIAL INVITED AS SUPPORT. MEHRAN RAISED POINT THAT AT UK-IRANIAN CONFERENCE, ANSARY AND HEALY CHAIRED. PARSKY SAID THAT U.S. GOVERNMENT FELT PRINCIPLE CONTRIBUTIONS WOULD COME FROM PRIVATE SECTOR BUT THAT EITHER PRIVATE OR GOVERNMENT CHAIRMANSHIP WOULD BE ACCEPTABLE. HE SUGGESTED THAT IF GOVERNMENT CHAIRED ARTHUR BURNS WOULD BE MOST APPROPRIATE AND PARSKY AGREED TO DISCUSS MATTER WITH DR. BURNS ON RETURN. SHORAKA SAID THAT HE FELT CONFERENCE SHOULD BE KEPT SMALL AND THAT IT PROBABLY SHOULD BE PRIVATELY CHAIRED. HE SAID HE WOULD DISCUSS IT WITH ANSARY AND COMMUNICATE TO PARSKY.

C. NATURE OF CONFERENCE - BOTH MEHRAN AND SHORAKA AGREED THAT CONFERENCE SHOULD BE FOR 1 1/2 TO 2 DAYS, SHOULD INVOLVE AN INITIAL PLENARY SESSION AND THEN SMALLER GROUPS TO COVER SPECIAL SUBJECTS, INCLUDING INSURANCE, COMMERCIAL BANKING, INVESTMENT BANKING, SECURITIES MARKETS, AND POSSIBLY OTHER AREAS (I.E. COMMODITIES, REGULATORY PROBLEMS). AT CONCLUSION OF SESSION, REPORTS WOULD BE PRESENTED TO IRANIANS. THERE IS NO INTENTION TO MAKE DECISION BUT ONLY TO GAIN FROM EXPERIENCE IN U.S. IRANIAN GOVERNMENT WOULD TAKE SUGGESTIONS FROM U.S., UK AND JAPAN AND THEN DECIDE WHAT TO DO.

3. MEETING WITH MINISTER OF INTERIOR AMOUZEGAS. DISCUSSION COVERED SEVERAL SUBJECTS IN A MOST CORDIAL ATMOSPHERE:
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A. PRODUCER-CONSUMER DIALOGUE - AMOUZEGAS EXPRESSED PLEASURE AT FACT THAT DIALOGUE WOULD NOT INCLUDE PRODUCER AND DEVELOPING COUNTRY INTERESTS. HE WAS CONCERNED, HOWEVER, ABOUT WHETHER GROUP OF 77 COULD AGREE ON ADDITIONAL PARTICIPANTS. HE SAID THAT SO FAR IT WAS DEADLOCKED AND SUGGESTED THAT IT MAY CAUSE DECEMBER MEETING TO BE DELAYED. HE SAID IRAN WOULD WANT TO PARTICIPATE IN BOTH ENERGY AND FINANCIAL

COMMISSION WITH YEGEMEH ASSIGNED TO ONE OF THESE. HE SAID IRAN'S FOCUS WOULD BE ON ENSURING THAT INFLATION IN CONSUMING COUNTRIES WAS TAKEN INTO ACCOUNT IN OIL PRICING AND ON INCREASED COOPERATION WITH DEVELOPED COUNTRIES IN LDC'S.

B. ENERGY - AMOUZEGAS SAID THAT RECENT OPEC INCREASE WOULD NOT BE 10 PERCENT, BUT WOULD AVERAGE 7 PERCENT. HE SAID RANGE OF INCREASES WOULD BE FROM 2 PERCENT (INDONESIA) TO 8.5 PERCENT (IRAN). HE SAID HE HAD READ ABOUT PARSKY ESTIMATE AND FELT IT WAS CORRECT. HE SAID THAT IRAN HAD CALCULATED AMOUNT OF INCREASE THAT WOULD BE FELT BY LDC'S AND WAS GOING TO INCREASE AID BY THE SAME AMOUNT. PARSKY STRESSED THE ECONOMIC IMPACT OF RAPID INCREASE IN PRICE, PARTICULARLY IN DEVELOPING COUNTRIES. PARSKY STRONGLY OPPOSED AN INDEXATION SYSTEM AS UNWORKABLE AND NOT IN INTEREST OF PRODUCERS. AMOUZEGAS SAID THAT IRAN WOULD NOT PRESS INDEXATION. HE SAID THAT SUBSEQUENT DECISIONS ON PRICE WOULD DEPEND ON DEVELOPMENT OF DIALOGUE. AMOUZEGAS STRESSED THAT U.S. ENERGY POLICY WAS VERY CONFUSING - HE WASN'T SURE WHETHER U.S. WAS SEEKING LOWER PRICES BECAUSE OF POSSIBLE THREAT OF COMMUNISM OR BECAUSE OF IMPACT ON DEVELOPING COUNTRIES OR BECAUSE OF IMPACT ON DEVELOPED COUNTRIES' ECONOMICS. PARSKY STRESSED LATTER TWO POINTS. PARSKY ACKNOWLEDGED THAT U.S. HAD TO MAKE ITS POLICY CLEARER. HE STRESSED TO AMOUZEGAS THAT OIL PRICE INCREASES CONTRIBUTE SIGNIFICANTLY TO INFLATION IN DEVELOPED COUNTRIES WHICH HE SAID HE WAS CONCERNED ABOUT. AMOUZEGAS ASKED PARSKY TO SUPPLY HIM WITH VIEWS ON IMPACT OF OIL PRICE INCREASE ON INFLATION AND ON COST OF GOODS EXPORTED TO OPEC COUNTRIES. PARSKY AGREED TO DO SO.

C. AID TO LDC'S - DISCUSSION FOCUSED ON NEW \$1 BILLION OPEC FUND FOR LDC'S. PARSKY SAID SUCH A FUND WAS A POSITIVE DEVELOPMENT. AMOUZEGAS SAID THAT A NUMBER OF QUESTION STILL CONFIDENTIAL

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NEEDED TO BE RESOLVED (I.E. DURATION OF FUND; PARTICIPATION - HE SUGGEST IRAN AND SAUDI ARABIA WOULD BE CONTRIBUTING ABOUT ONE HALF; VOTING). FUND WOULD BE RUN BY OPEC SECRETARIAT BUT AMOUZEGAS SAID THAT THERE WOULD BE NEED FOR ASSISTANCE ON PROJECT EVALUATION AND OTHER MATTER RELATED TO COMMITMENTS. THEY DISCUSSED POSSIBLE USE OF IMF AND IBRD. PARSKY AGREED TO CONTACT SUCH ORGANIZATION AND COMMUNICATE HIS THOUGHTS TO AMOUZEGAS. MINISTER ALSO RAISED POSSIBLE OF DEVELOPED COUNTRIES PARTICIPATING IN FUND IN FUTURE. HE ASKED PARSKY TO THINK ABOUT IT AND PROVIDE THOUGHTS ON THIS.

4. SHORAKA SAID HE FELT IT WOULD BE MOST HELPFUL IF PARSKY WOULD RETURN TO IRAN SOMETIME BEFORE FINANCIAL CONFERENCE WAS HELD. PARSKY SAID HE FELT IT WOULD BE POSSIBLE SOMETIME IN FEBRUARY OR MARCH.

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